

Thailand AERA Activities Reports #1 and 2

October 1999 to March 2000

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Accelerating Economic Recovery in Asia (AERA)

US Government Funded Program

through the

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March 24, 2000

Executive Summary

In 1998, the Secretary of State, Mrs. Madeline Albright, announced that the United States of America would assist Asian friends in accelerating their economic recovery. She said that the United States Government would provide assistance to Indonesia, the Philippines and Thailand that would assist in overcoming the economic crisis and in moving forward on reforms that would make economic growth more sustainable. She recommended that some of this assistance be provided through a “Private Sector Peace Corps” that would directly help the private sector through private voluntary agencies. In Indonesia and the Philippines, the existing USAID missions were assigned to administer the programs. In Thailand, where there is no USAID mission, it was decided to assign the main administrative role to the Kenan Institute Asia.

On September 29th, M.R. Sukhumbhand Paribatra, Deputy Minister of Foreign Affairs and the Honorable Richard E. Hecklinger, the United States Ambassador to Thailand, signed an Agreement granting \$ 10 million to Thailand under the Accelerating Economic Recovery in Asia Program. A bi-national Steering Committee for the AERA program was formed, including Foreign Minister Dr. Surin Pitsuwan, Ambassador Hecklinger, Mr. Robert Randolph, the USAID Assistant Administer for Asia and the Near East, Mr. Kittipan Kanjanapipatkul, the Director General of the Department of Technical and Economic Cooperation, under the chairmanship of Mr. Anand Panyarachun, the chairman of the Kenan Institute Asia. At its first meeting the Steering Committee established overall policies, approved procedures and set up management mechanisms for the program. Dr. Asavin Chintakananda was appointed as overall AERA Executive Manager and a Working Group was established with working level representatives from the two governments and the Kenan Institute to provide guidance to the program management.

The AERA Program consists of three main programs, namely: -

The Business Advisory Center (BAC). This Center provides consultative services to Small and Medium Sized Enterprises (SMEs). The Center has twenty Thai and American consultants. The Americans were recruited through a US private voluntary organization, the MBA Enterprise Corps which draws on the top 40 business schools in the United States. The Center also has access to nearly 20,000 US volunteer experts from three voluntary organizations – the International Executive Service Corps (IESC), the Citizens for Development Corps (CDC) and ACDI/VOCA. KIAAsia created a new voluntary program called the Thai Volunteer Consulting Services (TVCS), that has recruited hundreds of Thai volunteer experts to assist with the restructuring of SME’s. The TVCS comprises retired, semi-retired and early retired business men and women as well as former civil servants with specialized knowledge. TVCS began operations in February 2000.

Collectively, these five volunteer organizations working directly with the private sector, constitute a pilot “Private Sector Peace Corps” in response to the Secretary of State’s suggestion.

To date, over 105 SME's have applied for assistance. Fifteen volunteer experts from IESC and CDC have been requested. Two have completed their assignment. About 10 in-house consulting assignments have been carried out, along with two workshops for SMEs. Fifty more SME requests for volunteer experts are being processed and more are being solicited.

The Bank Training Program (BTP) provides assistance to Thai commercial and Government Specialized Banks to receive training in areas which will strengthen their operations and assist the Thai economy to recover. Nine banks have requested assistance in several areas, for example: - Risk Management, Responsibility Accounting, Credit Management, Internal Auditing and Control; Training Bank personnel and their clients to improve the performance of SME's. These programs are due to begin in February 2000.

The Business Support Organization Partnership (BSOP) assists in building up long term cooperative relationship between Thai and US organizations. Many programs have already begun, namely: - the Securities and Exchange Commission and the Treasury Department; the Securities Analysts Association and the Association for Investment Management and Research (AIMR), and the Thai Bankruptcy Court and the American Bankruptcy Institute, to name a few. Some examples of projects under development are establishing ethical codes for security analysts, a study of the appropriate tax structure for the capital market, the development of a rating system of debt instruments.

Other Programs under AERA are:-

- **Treasury Advisory Assistance** -- The US Treasury is working closely with the Bank of Thailand in developing expertise in bank examinations.
- **Promoting Good Governance** -- The Asia Foundation is coordinating a program to provide technical assistance on transparency and good governance for government organizations.
- **Constitutional Education for Citizens** -- The King Prajadhipok Institute, The American Center for International Labor Solidarity (ACILS) and several Thai organizations are coordinating a program for various citizens groups on the new constitution.
- **AERA Public Health Program** -- Kenan Institute Asia, the World Health Organization, the Ministry of Public Health, the Armed Forces Regional Institute of Medical Science and other organizations are working on a program to establish new public health approaches to dealing with multiple drug resistant malaria in Thailand's border areas.

Business Advisory Center

Since operations started in October last year, the Business Advisory Center (BAC) has attracted over 105 SME applicants. To date, 72 of them are active clients: 40% small and 60% medium companies. Many of the applicants dropped out because what they requested either could not be provided by the BAC or the applicants did not respond to our repeated request for necessary information for business analyses. With many other clients still looking for help, we cannot afford to wait for too long and therefore have to drop non-responsive firms from the waiting list.

We anticipate a dozen or more applicants can be added to the list following a major seminar for more than 200 SMEs takes place on March 23 at the Stock Exchange of Thailand auditorium. To expedite the process of liaison with clients and increase productivity, we are going to try a new approach in which each consultant works with one company instead of pairing two consultants in a Thai-American client contact team.

In-House Consulting and Expert Consultants

Some of the SMEs cannot make good use of foreign expert consultants to help solve their company problems. These clients are either too small for foreign experts to be cost effective, or their problems can be better addressed by our in-house consultants. We have provided in-house assistance to 15 companies. Some of the projects are ongoing. The services include searching for necessary business information, developing business strategies in financial and marketing matters, and advising on cost reduction.

For clients that require greater and more specific technical expertise, our business consultants have already requested thirteen expert consultants (volunteer executives: VEs) to come to Thailand to help solve their company-specific problems. The first one was brought in to help SMEs with their business planning and to help our BAC business consultants to improve their diagnoses of SME business problems. She conducted two seminars for SMEs during her stay in Bangkok. The number of VEs is expected to increase as clients agree on plans for assistance. Typically a VE will be the project leader taking charge of the assigned company-specific problem, while our MBAs assist the VE.

Since an adjustment in one area of the client's operations might affect another, the BAC consultants plan to work with the client further after the VE project is over. Therefore, our business consultants will again resume a lead role in integrating all functional adjustments within a company's operations and put them into a wrap-up report. Whether or not a client has had a business plan prior to seeking assistance from BAC, the wrap-up report should indicate whether the company needs a new business plan that reflects the positive changes resulting from BAC assistance. A strong business plan will enable the SMEs show their bankers, shareholders, and potential investors how they plan to achieve their business goals.

The VEs already requested are for clients in the following industries: textiles and garments; pet toys; dehydrated fruit packaging (replacing canning); building materials; auditorium A/V systems; high quality corrugated boxes; plastic extrusion; and wood souvenirs. In addition, half a dozen more would be requested by the end of March after more contracts are signed.

Thai Volunteer Consulting Services

BAC also works with Thai Volunteer Consulting Services (TVCS) providing Thai experts to clients who prefer to work with Thai advisors. Three Thai experts have been sought and one of them has completed his project. BAC business consultants also seek advice from Thai experts invited by TVCS to discuss special problems before the teams meet with clients. In addition, TVCS constantly provides speakers to conduct talks on various subjects of interest to BAC consultants as requested. These included experts in textile, fabric research, export regulations, financial analysis, bankruptcy laws, Internet, etc.

Marketing

In the second quarter, the BAC received media coverage from the press, TV and radio through many activities. Starting in early January, a dozen media people covered the first BAC contract signing ceremony. In the wake of that event, two TV stations and three newspapers covering business news interviewed us and made us known. Two radio programs for the SMEs conducted live interviews with the BAC manager. Even the Voice of America's Thai Service also broadcast a feature program on BAC operations from Washington, D.C. During the Board of Investment (BOI) Fair 2000 in early February, BAC conducted three seminars to a total of nearly one hundred SMEs. The seminars at the fair attracted a dozen applications.

Although seminars and the media help generate awareness of BAC and the availability of its services, more efforts need to be put on marketing them to our target markets. This has much to do with our attempt to target medium sized companies to which our assistance could make significant impact. The medium sized companies generally are keen to seek help from American VEs and they also could afford to share resulting costs. Putting cost efficiency aside, we cannot reject applicants whose operations are too small. In-house consulting or training, therefore, usually is the best answer for small companies.

We have conducted presentations at selected trade associations under the umbrella of the Federation of Thai Industries and the Thai Chamber of Commerce. Government agencies and commercial banks also have also begun referring their clients to us after we made presentations to their staff.

Since some labor-intensive industries badly need help, the Ministry of Industry has given the highest priority to SMEs in these industries. These include food and animal feed, textiles and garments, plastics, electrical appliances and electronics, and automotive parts. In the second half of our first year, we plan to focus our work more on medium-sized companies in the priority sectors.

NO. OF BAC CLIENTS BY SIZE		
	CLASSIFICATION OF COMPANY SIZE	No. of clients
	SMALL ENTERPRISE	37
	MEDIUM ENTERPRISE	67
	LARGE ENTERPRISE	1
	TOTAL	105
NO. OF BAC CLIENTS BY INDUSTRY SECTOR		
CODE	INDUSTRY SECTOR	No. of clients
A	AUTOMOTIVE	8
B	BANKING	0
C	CONSTRUCTION	8
D	PRINTING AND PUBLISHING	3
E	ELECTRICAL	8
F	FOOD AND BEVERAGE	11
G	AGRIBUSINESS	5
H	HEALTH CARE SERVICE	0
I	INSURANCE	0
J	JEWELRY AND ORNAMENT	3
K	MINING	1
L	LOGISTICS	2
M	MANUFACTURING	17
N	ENERGY	0
O	OTHER	0
P	PHARMACEUTICAL	4
Q	CHEMICAL AND PLASTIC	10
R	REAL ESTATE	0
S	SERVICE	5
T	TEXTILE AND FOOTWARE	20
U	HOUSEHOLD GOODS	0
	TOTAL	105

PROJECT STATUS		
Status	No. of applications	Remarks
Under processing by BAC teams (active)	72	plus 9 new projects to become 81
Completed	2	
Projects on hold	7	
Referred to other organization	3	
Rejected	17	
Closed	4	
Total	105	

SUMMARY OF CLIENTS BY AREA	
LOCATION OF CLIENT COMPANY	NO. OF CLIENTS
GREATER BANGKOK	81
SURROUNDING PROVINCES	18
UPCOUNTRY PROVINCES	6
TOTAL	105

TVCS' Services and Activities December 1999 - March 2000

A. Provided 7 sessions of counseling service and workshops, namely

1. A discussion on "Current Situation of Thai Textile Industry" by a textile expert
2. A workshop on the Asian Free Trade Agreement: AFTA by Deputy Director of the Export Promotion Department
3. A workshop on "Cash flow analysis" by a consultant to the Stock Exchange of Thailand
4. A consultation on logistic and marketing by a retired marketing expert.
5. A counseling on production and marketing for a pharmaceutical manufacturer by marketing expert.
6. A discussion on the "E-commerce" by an internet expert.
7. A discussion on the "Debt Restructuring" by a legal expert.

B. Provided in-house advisor to the BAC

1. A consultation on logistic and distribution problem of a machinery producer.
2. A consultation on the marketing problem of an air duct manufacturer.

C. Provided Thai volunteer experts to SMEs at the BAC's request.

1. A human resource expert to establish a job classification, salary structure and motivation to a shipping firm.
2. A marketing expert to advise on marketing plan of a pharmaceutical manufacturer.

D. Other activities.

1. Co-organized a one-day seminar with the NSTDA: National Science and Technology Development Agency on the topic " Consulting as a Career" for academics as part of an effort to increase the professionalism of university-based consultants.
2. 2 Established a publicity program with the radio station (Jor Sor 100) to promote volunteerism and to recruit retirees to the database.

Plan for the year 2000

In building up the data base, the focus will be on 5 functional expert areas as follows:

1. Human resource & organization development
2. Financial management and accounting
3. Marketing plan and strategy
4. Production management and manufacturing process
5. Information technology and e-business

Bank Training Program October 1999 to March 2000

Objectives

The economic recovery of Thailand can only be achieved if the banking sector can solve its non-performing loan problems and begin lending to the business sectors. The economic crisis that began 1997 was caused in part by weak credit analysis brought about by banks competing to increase their loan portfolio. When the quality of the loans began to decrease, banks did not disclose this information properly and tried to conceal the problems by window dressing. Banks tried to increase their profit margins by funding their long-term finance lending with short-term foreign currency borrowing. Risk management was also inadequate, as the banks were not able to quantify their risks.

In order to assist the Thai banking industry, the Bank Training Program set the following objectives;

1. To encourage good corporate governance and encourage transparency in reporting.
2. To improve bank management through better risk management and credit management.
3. To provide banks with good training capabilities.
4. To assist banks with skills in restructuring loans.

The Bank Training Program (BTP) under the AERA Program was designed to be consumer driven. Rather than offering the government specialized banks and Thai commercial banks off the shelf training programs, it was decided that the needs, priorities and the sophistication of the banks were quite different. This assumption proved to be correct as the banks were asking for assistance in different areas and when the areas overlapped, the request were clearly of different levels of sophistication.

A common course for all the Thai banks is also being developed. The Thai Institute of Banking and Finance is working on a program on “retail banking” to be jointly developed by the American Banker’s Association and The Thai Institute of Banking and Finance.

The two most requested courses are Risk Management, Internal Control and Internal Audit. Credit Management and Responsibility Center Accounting and were requested by two banks each. There were also requests for Quality Assurance Review and Debt Restructuring. Bangkok Bank felt that the need to assist SME’s in becoming more competitive was urgent and requested a course in “Training the Trainers for Small and Medium Enterprises” where the training will be a service to SME’s by Bangkok Bank. SME’s will be taught how to write business plans, which should make them more capable business entities.

The training programs for the first year are expected to begin in April 2000.

Bank Training Projects**Grouping by course**

Training Course	Bank	Awarded Contractors
Risk Management	<ul style="list-style-type: none"> • The Industrial Finance Corporation of Thailand • Bank of Ayudhaya • Siam Commercial Bank 	<ul style="list-style-type: none"> • Deloitte Touche Tohmatsu • Deloitte Touche Tohmatsu • Barents Group
Credit Management	<ul style="list-style-type: none"> • Thai Farmers Bank • Government Savings Bank 	<ul style="list-style-type: none"> • Deloitte Touche Tohmatsu • Deloitte Touche Tohmatsu
Responsibility Center	<ul style="list-style-type: none"> • Bank for Agriculture and Agricultural Cooperatives • Government Housing Bank 	<ul style="list-style-type: none"> • Development Alternatives, Inc. • Development Alternatives, Inc.
Internal Control & Internal Audit	<ul style="list-style-type: none"> • Thai Military Bank • Export and Import Bank of Thailand • Krung Thai Bank 	<ul style="list-style-type: none"> • Development Alternatives, Inc. • To Be Determined • To be Determined
Train-the-Trainers of Business Plan for Small and Medium Enterprises	<ul style="list-style-type: none"> • Bangkok Bank 	<ul style="list-style-type: none"> • Deloitte Touche Tohmatsu
Debt Restructuring Management	<ul style="list-style-type: none"> • BankThai Bank 	<ul style="list-style-type: none"> • Deloitte Touche Tohmatsu
Retail Banking Management	<ul style="list-style-type: none"> • The Thai Institute of Banking and Finance Association 	<ul style="list-style-type: none"> • To Be Determined (expected to be assigned in May 1999)
Quality Assurance Review	<ul style="list-style-type: none"> • Krung Thai Bank 	<ul style="list-style-type: none"> • To be Determined

Grouping by Bank

Bank	Project name	Awarded Contractor
Thai Farmers Bank	Credit management	Deloitte Touche Tohmatsu
Bangkok Bank	Train-the-trainers for small and medium enterprises (business plans)	Deloitte Touche Tohmatsu
The Industrial Finance Corporation of Thailand	Risk management	Deloitte Touche Tohmatsu
Bank of Ayudhaya	Risk management	Deloitte Touche Tohmatsu
Bank for Agriculture and Agricultural Cooperatives	Responsibility Center (accounting)	Development Alternatives, Inc.
BankThai	Debt-restructuring management	Deloitte Touche Tohmatsu
Government Housing Bank	Responsibility Center (accounting)	Development Alternatives, Inc.
Government Savings Bank	Credit management	Deloitte Touche Tohmatsu
Siam Commercial Bank	Risk management	Barents Group
Thai Military Bank	Internal control plus oversea training	Development Alternatives, Inc.
The Thai Institute of Banking and Finance Association	Retail Banking	To be determined
Export and Import Bank of Thailand	Internal Auditing	To be determined
KrungThai Bank	Quality Assurance Review	To be determined

Business Support Organizations Program October 1999 to March 2000

I. Summary to date

The Business Support Organization Partnership (BSOP) began developing projects in October 1999 and has had five large (US \$10,000 or greater) project proposals approved at the first two AERA Working Group Meetings. A sixth program has been awarded a small grant.

1. Comparative Study on Thailand's Savings and Investment Tax Policy (\$56,410)

With assistance from US experts, the Security Exchange Commission of Thailand is conducting a study that examines the impact of Thailand's present tax structure on the financial and capital markets from both the economic and administrative aspects.

2. Upgrading the Capabilities of Thai Accounting Instructors (\$116,303)

The Institute of Certified Accountants and Auditors of Thailand (ICAAAT) is developing teaching aides (videos, transparencies, diskettes and teacher's manuals) for Thai accounting instructors with the assistance of a U.S. university

3. Standards of Practice Handbook (\$12,285)

The Securities Analysts Association (SAA) is translating and adapting the Association for Investment Management and Research's Standards of Practice Handbook, 7th edition into Thai. The economic crisis has proven the importance of having quality and ethical analysts.

4. Bankruptcy Court Administration Program: (\$48,264)

The American Bankruptcy Institute (ABI) is providing technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies.

5. Bankers Handbook Project (\$28,050)

American Bankers Association (ABA) partners with Thai Bankers Association (TBA) are developing a handbook for all Thai Bankers by adopting ABA materials.

6. Thailand Rating & Information Services (TRIS) Technical assistance (\$7,500)

TRIS hosted an expert from the International Executive Service Corps (IESC) for a month to help to TRIS in the area of bond rating methodologies and procedures, and staff training.

The BSOP has another ten projects in the pipeline for 2000 with the following organizations:

(1) the Thai credit bureau; (2) Stock Exchange of Thailand; (4) Institute of Directors; (5) Small Business Administration; (6) Office of the Auditor General; (7) Land Assessor Association; (8) Office of Economic and Technologies Competitiveness; (9) Thai Credit rating Agency, and (10) Civil Service Commission.

BSOP Projects Matrix

Project Name / Objective	Description	Objectives/ outcomes	Part
Standards of Practice Handbook: Certified Investment and Securities Analyst Program / <i>Financial Governance</i>	The Association for Investment Management and Research (AIMR) and the Securities Analysts Association (SAA) are promoting a "code of ethics" for the Thai corporate sector by translating and adapting the AIMR's manual for the Thai environment.	To build up a strong ethics and professional standards program	SAA (Th), AIMR (U)
Upgrading the Capability of Accounting Instructors / <i>Financial Governance</i>	The Institute for Certified Auditors and Accountants of Thailand (ICAAT) is developing accounting instructional aids including video tapes, computer programs and teacher's manuals to use in higher education with assistance from a US counterpart university.	Improved accounting standards particularly outside of Bangkok.	ICAAT (Th), US unive
Comparative Study on Thailand's Savings and Investment Tax Policy / <i>Financial Governance</i>	The US Treasury Department is to assist the Thai Security Exchange Commission on a tax study to address distortions in the market.	More attractive tax provisions for investors.	Thai SEC, US Treas
Bankruptcy Court Administration Program / <i>Financial Governance</i>	The American Bankruptcy Institute (ABI) is providing technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies.	To improve the capabilities of the CBC and develop a relationship between CBC & ABI	CBC, Thai Ministry of Justice, ABI (US)
American Bankers Association (ABA) partners with Thai Bankers Association (TBA) / <i>Corporate Governance</i>	To develop a handbook for all Thai Bankers by adopting ABA materials.	Completion and use of handbook throughout Thailand	ABA, Thai Institute for Banking & Finance, TBA
Technical Assistance for Thailand Rating Information Services (TRIS) / <i>Financial Governance</i>	Technical assistance and training was provided to TRIS by an expert sourced under the International Executive Service Sops (IESC) in the area of bond rating.	To strengthen Thai corporations' abilities to raise funds by improving the capabilities of TRIS in bond rating.	TRIS (Th), IESC (U)

BSOP Projects in the pipeline			
Project Name / Objective	Description	Objectives/ outcomes	Partners
American Bankers Association (ABA) partners with Thai Bankers Association (TBA) / <i>Corporate Governance</i>	The ABA and the TBA, through its training institute, have initiated talks on long-term cooperation and are planning initial training activities.	Long-term cooperation between ABA-TBA. Establishing a certificate program.	ABA, Thai Institute for Banking and Finance, TBA
APICS Certification / <i>International Competitiveness</i>	Establishment of the APICS certification training program in Thailand in partnership with the Thailand Logistics and Production Society (TLAPS)	Provide training and help to get Thai engineers certified.	APICS, TLAPS
Bankruptcy Court Administration Program - Year 2 / <i>Financial Governance</i>	The American Bankruptcy Institute (ABI) is providing technical assistance to the Thai Central Bankruptcy Court (CBC) in training and establishing systems to deal under the revised laws with the backlog of corporate bankruptcies.	To improve the capabilities of the CBC and develop a relationship between CBC & ABI	CBC, Thai Ministry of Justice, ABI (US)
Bond Trading Center / <i>Financial Governance</i>	To be determined		Bond Trading Center

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Certificate for Occupational Health and Safety / <i>International Competitiveness</i>	The Occupational Health and Safety at Work (OHSW) of Thailand proposes to join the American Board of Industrial Hygiene (ABIH) to provide training and establish a certificate program.	To initiate training programs and establish a certificate program to comply with the new Labour ACT.	OHSW ABIH
Civil Service Commission / <i>Corporate Governance</i>	Good governance program	To improve good corporate governance	Thai and US Partners

BSOP Projects in the pipeline -- 2			
Project Name / Objective	Description	Objectives/ outcomes	Partners
Credit Rating Agency / <i>Financial Governance</i>	To support technical assistance in establishment of credit rating center	To strengthen Thai corporations' abilities to manage information center of credit rating	Thai Agency / IFC / US partn
Enhance the Association of Thai Small and Medium Entrepreneurs / <i>International Competitiveness</i>	To institutionally strengthen the Association of Thai Small and Medium Entrepreneurs (ATSME) through a counterpart in the US providing training and TA.	Relation and technical training.	ATSME / DIP SBA
Enhance the Association of Thai Small and Medium Entrepreneurs Year 2 / <i>International Competitiveness</i>	To strengthen the SME Institute's activities by partnering with the US Small Business Administration.	Improved institutional capabilities.	ATSME / DIP SBA
Environment Cost Accounting / <i>Financial Governance</i>	Provide accountants with knowledge of environment cost accounting	Improved accounting practices.	US Environme Protection Age (USEPA)
Improving Workplace & Labour Standards / <i>International Competitiveness</i>	To support the establishment of an international standard for social accountability to the workplace.	Introduction of Certification program in Thailand.	CEPPA
International Diskdirve Equipment and Mateial Association Training / <i>International Competitiveness</i>	Provide training and strengthen Association in Thailand	Strengthened Association	IDEMA

BSOP Projects in the pipeline -- 3			
Project Name / Objective	Description	Objectives/ outcomes	Partners
Land Assessors Training / <i>Financial Governance</i>	To support technical assistance and training to improve land assessment methodology.	Improve knowledge of assessors in Thai assessment organizations	Valuers Association of Thailand/ US counterpart
Land Assessors Training - Year 2 / <i>Financial Governance</i>	To support technical assistance and training to improve land assessment methodology.	Improve knowledge of assessors in Thai assessment organizations	Valuers Association of Thailand/ US counterpart
Mutual Funds Analysts Program / <i>Financial Governance</i>	To establish a certification process for financial analysts in partnership with Mutual Fund Association (MFA), Chulalongkorn University (CU) and the US Financial Analysis Association (FAA).	Upgrade marketing of mutual funds & standards of financial planning.	MFA (US), Financial Anal Association (U CU (Thai)
Office of Auditor General / <i>Financial Governance</i>	Implementing training and join auditing activities	Improve auditing procedures	Thai OAG-US GAO
Office of Auditor General - Year 2 / <i>Financial Governance</i>	Implementing training and joins auditing activities	Improve auditing procedures	Thai OAG-US GAO

BSOP Projects in the pipeline -- 4			
Project Name / Objective	Description	Objectives/ outcomes	Partners
Sciences and Technology Competitiveness / <i>International Competitiveness</i>	To improve Thai competitiveness in science and technology (S&T) through a partnership between the Office of Economic and Technologies Competitiveness (OETC), Ministry of Science Technology MOSTE, and the US Council for Competitiveness.	- Improve competitiveness in S&T. - Establish long-term US - Thai linkage.	OETC (Thai), US Council for Competitiveness
Sciences and Technology Competitiveness - Year 2 / <i>International Competitiveness</i>	To improve Thai competitiveness in science and technology (S&T) through a partnership between the Office of Economic and Technologies Competitiveness (OETC), Ministry of Science Technology MOSTE, and the US Council for Competitiveness.	- Improve competitiveness in S&T. - Establish long-term US - Thai linkage.	OETC (Thai), US Council for Competitiveness
SET Derivatives Program / <i>Financial Governance</i>	To support technical assistance and training to improve SET's knowledges in derivatives products.	Improve knowledge of SET's staff	SET / US counterparts
SET Year 2 - Improving Disclosure Practice / <i>Financial Governance</i>	To support technical assistance to strengthen disclosure practices.	To improve the capability of SET's staff disclosure procedures.	SET / US counterparts
Small Business Training / <i>International Competitiveness</i>	To provide support to strengthen the business training network, especially in the provinces.	Strengthened training network.	IMET/NIDA

BSOP Projects in the pipeline -- 5			
Project Name / Objective	Description	Objectives/ outcomes	Partners
Thai Credit Bureau / <i>Financial Governance</i>	To assist the newly formed Thai credit bureau in establishing its systems and procedures.	Effective working procedures.	Central Information System Co., Ltd US Partner
Thai Credit Bureau Year 2 / <i>Financial Governance</i>	To assist the newly formed Thai credit bureau in establishing its systems and procedures.	Effective working procedures.	Central Information System Co., Ltd US Partner
Thai Institute of Directors Association / <i>Corporate Governance</i>	To establish and pilot corporate good governance rating system.	Improve research methodology and practices for good corporate governance	IOD / US counterparts
Thai Institute of Directors Association - Year 2 / <i>Corporate Governance</i>	To support technical assistance and training.	Improve research methodology and practices for good corporate governance	IOD / US counterparts
Upgrading the Capability of Accounting Instructors Year 2 / <i>Financial Governance</i>	To establish a training program for accountants and plant managers to consider environmental costs in manufacturing.	Reduce costs and increase competitiveness.	TEI, ICAAT USEPA

Thailand SME Development Project

Executive Summary

The initiative is designed as a one-year regional pilot project to accelerate the recovery and growth of Thai small and mid-sized enterprises (SMEs) by helping them establish business linkages with U.S. firms. Based on the results of this project, the U.S. Chamber will be prepared to expand this approach in Thailand, the Philippines and Indonesia.

Project Summary

The initial goal is to establish an ongoing process between Thai and U.S. business organizations that facilitates business partnering and generates sustained support from enterprises.

National and regional business organizations, both in Thailand and in the United States will serve as the primary means to assist firms find, qualify and interact with foreign partners. Key elements of this strategy are:

- Reliance on the private sectors in the development and marketing of value-added services to ensure sustainability
- Provision of technical assistance to private Thai and U.S. business development organizations
- Targeting of three sectors to ensure proper focus of effort
- Use of innovative on-line matching and business development tools
- Coordinated Thai-U.S. management approach
- Development of a systematic process of business partnering and interaction
- Matching resources from the private sector
- Leveraging current and planned public/private initiatives

Project Rationale

The premise of this project is that the effective linkages with U.S. business can assist Thai SMEs in regaining and expanding their strength. By providing focused technical assistance to selected SMEs via national business organizations, the Chamber will increase investment, improve the management of exports, technology transfer and upgrade corporate disclosure and accounting standards. The goal is not only to train SMEs, but to design and build an ongoing process that provides value-added international business development services to U.S. and Thai firms and that will generate sufficient revenue for the institutional partners to achieve sustained growth of the services with less reliance on public-sector support.

Elements of the Project

- Focus on three initial sectors: electronics assembly, auto parts, agribusiness/food processing. Others can be added as demand builds among SMEs.
- Design and implement collaborative efforts with Thai institutional partners involving technical assistance re. how best to motivate and assist SMEs engage in international partnering. U.S. consultants with expertise in developing and managing such programs in the U.S. will be engaged and conduct training programs in Bangkok.
- Train Thai institutional partners in the use of the Internet-based system, how to help firms complete profiles and partnering proposals etc.

- Begin promotional and orientation program for Thai firms. Solicit qualified firms to register and express partnering proposals, assisted by the Thai institutional partners.
- Develop working collaboration with other trade promotion and SME assistance programs of both public and private sectors, including key Thai ministries, other USAID funded (AERA) activities, U.S. Embassy, etc. These collaborations will complement Project efforts to find and assist qualified Thai SMEs.
- Develop and organize training for Thai SMEs re. International partnering need for international standards of corporate disclosure, etc.
- On the U.S. side a parallel process will occur: recruiting U.S. business development organizations to motivate and assist their members partner with Thai counterparts, etc. The U.S. firms will also express their profiles and proposals, which will be matches with the Thai side.

Anticipated Results

Result 1: Increased long-term business relationships between Thai SMEs and U.S. firms

Indicators:

- At least 400 Thai SMEs participate in workshops and training.
- At least 200 SMEs are qualified and receive counseling or other tailored assistance.
- At least 50 U.S./Thai firm-to-firm discussions, meetings, interactions are undertaken.
- At least 400 SMEs complete profiles and enter detailed business proposals/offers on the Internet-based system.

Result 2: Strengthened capability of Thai business organizations to motivate and assist Thai SMEs to increase their international business

Indicators:

- Staff of at least three Thai business organizations are trained and supported to understand, market and support the project assistance services.
- Thai organizations provide facilitative services to help Thai SMEs expand internationally (e.g., market research, individual counseling, preparation of business plans, due diligence of foreign partners).
- At least three Thai business development organizations establish Internet communities designed to promote international business expansion
- At least four Thai-U.S. institutional working relationships created.
- Joint activities undertaken to generate business interaction.

Result 3: Improved quality of information about Thai firms.

Indicators:

- At least 200 Thai SMEs participate in accounting standards training.
- At least two Thai business institutions promote improved standards of corporate disclosure and code of conduct for international business.
- At least 400 Thai SMEs include verified information as part of on-line community profile.

Result 4: Greater U.S. business interest and engagement with Thai SMEs.

Indicators:

- At least six U.S. business organizations participate in the project and collaborate with Thai counterparts.
- At least 300 U.S. firms engage in the partnering process (create a profile, articulate a specific business proposal, interact with a potential Thai partner or participate in a business development event or project activity).

Technical Approach

Key Institutional Partners

Institutional partners should have good access to Thai SMEs; a willingness to commit time and resources to the project; a strong interest in developing a set of services that will survive the life of the USAID funded project; connections with other private, public or provincial potential collaborators, and adequate staff and outreach capability. Initial Thai institutional partners are the Thai Chamber of Commerce and the Federation of Thai Industries.

In the United States, the primary outreach partner will be the U.S. Chamber of Commerce. The U.S. Chamber will then recruit and support interested and qualified local and state chambers of commerce

with active international programs and appropriate trade associations to serve as institutional partners in the project.

Providing technical assistance (TA) to the institutional partners, especially those in Thailand, is a critical component of the project. The thrust of this TA is to build their capacity to develop, manage, market and improve a set of programs and services to assist their SME members to grow their international linkages with U.S. corporate partners. Focused and effective TA in the early stages of the project will lay a solid foundation and enable the Thai partners to build on their initial success. Study trips will be organized for key Thai staff to the United States to meet with U.S. counterparts and deepen their understanding and knowledge on lessons learned.

The Partnering Process

Through this project Thai business organizations, with suitable counterparts in the United States, will develop, promote and support a systematic process to help SMEs strengthen their international capabilities and generate long-term business relationships or partnerships with U.S. firms.

1. Promote awareness of the project among target SMEs

Both Thai and U.S. institutional partners as well as project management in the U.S. will plan and implement activities to reach firms within target audiences. This effort will also involve collaboration with other programs, both private and public (e.g., the U.S. Commercial Service, the RTG Ministry of Industry, BOI, and Export Promotion). The Internet will be a prime tool for such outreach, via the U.S. Chamber, local chambers and trade associations, and Thai partners. Institutional partners will also employ their existing outreach and communication channels. The project will include a mechanism to identify the strongest potential clients from the group of firms responding to this initial outreach.

The marketing effort will raise awareness of the program and its potential benefits by targeting different audiences via media placements, websites, newsletters, meetings and other outreach mechanisms. The project team will develop collateral marketing material, as appropriate, which may be adapted to the needs of the participating communities.

2. Contact, qualify and recruit SMEs

The relevance and promise of linkage with U.S. firms is clearly not equal for all Thai SMEs. For example, this is not a program primarily for start-ups. In many cases, very small or extremely weak SMEs will have to address more basic corporate needs before they are ready for international partnering. Project activities will focus on enhancing the capability and assisting the partnering process along a corporate spectrum that includes priority groups of Thai SMEs that have been in business at least three years, have some international experience and who commit to the partnering process.

The identification and needs assessment will be an incremental process that may begin with a paper-based or Internet-based questionnaire. Next, Thai partners would interview SME senior management to deepen the assessment and understanding of the primary needs. Based on these and other means, the SME would then be recommended for specific types of assistance.

U.S. project activities in this area will include targeted mailings and contact by other means via institutional partners as well as pro-active contact and follow-up by U.S. project staff.

3. Create on-line communities

The project will employ an Internet-based system to enable the institutional partners to create on-line communities of qualified firms interested in business engagement. Each community will receive

training and assistance in creating, growing and maintaining its community. Potential Thai SME participants will be contacted by a Thai institutional partner staffer who will assist the SME understand the goals of the project and how to participate.

Participating firms will create corporate profiles that detail current capabilities and also contain references (bank, credit and business) that can be contacted as part of the mutual qualification process undertaken by potential partners. As a condition of participation in the partnering program, the company will be required to provide not only basic information, but also information about employment and overall revenues. In collaboration with the IP, the Project Manager (PM) will develop a set of questions and information requirements that all participating firms must meet. Firms will also agree to a code of conduct.

Within the electronic community, participating firms can:

- a. Create a corporate profile with a link to a current website if available.
- b. Provide comprehensive profile information, including business and financial references, product description, business need or strategy vis-à-vis partnership.
- c. Undergo a basic pre-qualification by the community organizer.
- d. Be identified by other community members or Web browsers based on product, location, and type of business need via a search engine.
- e. Express a detailed business partnership proposal (the offer) and have it automatically matched with counterpart offers. Receive alerts via e-mail or fax that a match has been found.
- f. Interact easily with potential partners via e-mail.
- g. Have on-line access to information sources and facilitation services (e.g., be able to qualify the potential partner, arrange a meeting, and find a specific service provider or consultant).
- h. Easily interact with the community organizers on-line.

The initial costs of this Internet infrastructure and support will be offset primarily by project funds.

For Thai SMEs not yet on the Internet or without necessary hardware, institutional partners will be encouraged to accept paper-based forms and add them into the on-line database on behalf of their members.

4. Offer an array of training and guidance to SMEs

Creating electronic communities and leveraging the Internet is only one component of the partnering process. Matches, alerts, websites, etc. need other forms of assistance in order to yield their ultimate benefit for the SMEs.

While the details of each mode of assistance will emerge from the sustained interactions with the Thai partners, the general categories will most likely include:

- Workshops and/or training materials covering general guidance on the trade process (e.g., marketing, product adaptation, pricing, documentation, financing, logistics, negotiation, and foreign investment attraction).
- One-to-one counseling on trade/ investment strategies and business plans.
- Guidance on developing a profile and business proposal using the project's electronic commerce system.
- Accounting and disclosure standards for international partnering.
- Internet chat sessions and videoconferencing sessions with potential U.S. partners.

- Face-to-face interaction with U.S. partners via meetings, missions, delegations, trade show participation, etc.

The above activities will be offered through a variety of means. The project will leverage ongoing assistance provided by the Thai partners and other Thai public and private sector organizations. Where types of assistance are either unavailable or inadequate, the project will work with Thai partners to upgrade ongoing efforts and/or to fill the gaps with new initiatives.

5. Monitor the matching process and follow up

Once the SME profile and business offer are integrated into the on-line community, the system will produce matches from U.S. firms with corresponding interests. The institutional partners will be alerted when matches occur and can offer to assist the SME to follow up or refine his offer. Matches can also be shared with relevant Thai and U.S. government agencies whose mission includes the kind of transactions being pursued.

6. Offer complementary services to facilitate the partnering

Firms on both sides of the Pacific may need a range of facilitation services to assist their partnering efforts. While the institutional partners may be able to fill these needs, these technical and business management services may require greater expertise than is typically available within an economic development organization, chamber of commerce, or industry association. In these cases, the project team will work with institutional partners to identify, recruit, and leverage the participation of private-sector firms and/or government services in support of successful business partnerships. For example, consultants, banks, export-trading companies, accounting firms, and other private-sector firms (and selected government agencies) offer a variety of services such as assessment and diagnosis, business intelligence and basic information, market research, partner qualification, legal or accounting advice, etc.

7. Evaluate the process and suggest improvements

Institutional partners will be expected to monitor the business activity generated by the project and offer refinements and improvements to the process. Thai SMEs and service providers will be contacted and/or surveyed to assess their experiences and record results. In effect, the institutional partners will be encouraged to view the project services as the start-up phase of a revenue-generating subsidiary. Such a perspective demands constant monitoring and assessment to ensure the services offered respond to the SME market. Again, this business-focused approach is the foundation of sustainability.

Overall Project Timetable

Project activities will begin with the selection of sectors, planning, detailed design and agreement on procedures, technical assistance to the institutional partners, and creation of the initial systems and infrastructure necessary to test, refine and launch the partnering process. The project will then advance through small pilot, recruitment of additional firms, full implementation of the on-line communities, conduct of technical assistance to Thai SMEs, and eventual partnering interaction between U.S. and Thai firms.

The timetables below (see Table 2 and 3) are approximate. Actual sequence will depend on constant evaluation and feedback from all stakeholders. The preparation and support of the institutional partners, the effectiveness of the training and facilitation of SMEs, the ease of use of the project support tools, and the extent to which these plans deliver real business value to Thai SMEs and their U.S. partners will all affect the timing and sequence of activities outlined below.

Thailand Time Line

Time Period	Activities
First Quarter 2000	<ul style="list-style-type: none"> ? Confirm participation and commitment of Thai institutional partners (TIP). ? In collaboration with TIPs and USG etc., select key sectors for emphasis and develop overview background/marketing materials about the sector. ? Create project advisory committee. ? In partnership with TIPs, work out schedule and design for project. ? Establish project office in Bangkok. ? Training sessions for TIPs re. partnering process, electronic system, assessment and qualification of SMEs, best ways to facilitate partnering, etc. ? Set up on-line directory, community and Internet-based partnering procedures for TIPs. ? Agree on a standard level of corporate disclosure, code of conduct, accounting standard and develop training programs to promote these standards. ? Recruit private service providers. ? Plan collaboration with other programs (both private and public). ? Recruit pilot groups of Thai SMEs (25-30 firms).
Second Quarter 2000	<ul style="list-style-type: none"> ? TIPs design (with project assistance) their promotion, marketing and assistance strategies. ? Additional TIPs staff training. ? First outreach activities to members by TIPs. ? Recruitment of qualified Thai SMEs and integration into partnering process ? Begin partner matching and counseling. ? Conduct first training/orientation sessions for Thai SMEs. ? Begin active collaboration with related programs. ? Plan and conduct first events/interactions with Thai-U.S. partners. ? Secure external financial support for project via sponsorships, etc.
Third Quarter 2000	<ul style="list-style-type: none"> ? Full scale marketing, recruitment and qualification of Thai SMEs. ? Refine process and procedures for electronic commerce dimension. ? Expand number of SME training and assistance sessions. ? Evaluate results, market reactions, and SME feedback. ? Expand number of institutional partners, including one Thai provincial partner. ? Increase level of collaboration with other programs. ? Study tour of Thai project and TIP managers to U.S.
Fourth Quarter 2000	<ul style="list-style-type: none"> ? Continue marketing and recruitment of SMEs. ? Expand electronic commerce services to SMEs. ? Refine and improve assistance programs. ? Leverage other events and activities. ? Conduct thorough project review and evaluation.

The U.S. timetable will parallel that of Thailand.

Management

The Project Manager (Mark Van Fleet)

Responsible for the overall management coordination of the project and the responsibilities.

Thai Country Manager (Smit Tiemprasert + Deputy Manager and Admin. Assistant)

- Primary liaison with Thai institutional partners (including Thai Chamber, FTI, US & Thai Governments, Kenan Institute, etc.).
- Principal management coordinator for activities in Thailand, including planning.
- Executive Director of Thai project advisory committee.
- Principal liaison with U.S. project management.
- Assist in the design, implementation and overall quality improvement of overall project.
- Participate in training sessions, assist Thai Chamber, FTI, etc. with management, outreach, electronic communities and facilitation to U.S. potential partners and Thai SMEs, etc.

U.S. Country Manager (Paul Richardson + one admin. Assistant)

- **Primary managerial responsibility for operational effectiveness of U.S.-based activities.**
- Principal liaison (recruitment and support) of U.S. partners (local chambers, trade associations, etc.).
- Provide orientation, guidance and information to potential U.S. partners of Thai SMEs.
- Manage outreach to U.S. business community, including Internet-based system, events, missions, etc.
- Principal program coordinator with Thai Country Manager and Thai institutional partners.
- Executive Director of U.S. program advisory committee.
- Assist in the planning, evaluation and improvement of the overall program.

Program Advisory Committee

This will be the primary management oversight and strategic advisory dimension of the Project in Thailand. The Committee (tentative):

Members

Smit Tiemprasert (Chairman)
Senior official from FTI
Senior official from Thai Chamber of Commerce
Other Thai institutional partner as appropriate
Representative of Working Group

Observers:

Karen Ware, Commercial Counselor, U.S. Embassy
Designee of American Chamber of Commerce
Official from Thai Ministry of Industry

Proposed AERA Second Year Program

Bank Training Program

In 1998 and 1999, eight Thai commercial banks were taken over by foreign banks or are under the supervision of the Bank of Thailand. It is expected that the remaining three banks run under the supervision of the Bank of Thailand will be sold to foreign banks in the year 2000.

The foreign banks have indicated that they intend to shut down all low profit margin branches and will early retire 15-20 percent of their present staff. In order to compete with the foreign banks, the Thai commercial banks will also shut down money losing branches in the provinces.

The implication is that communities in the provinces will not be able to get credit facilities from banking or financial system and may be forced to arrange their loans in the black market. The unofficial loan rate in the provinces or wet market varies between 2-20 percent per day, depending upon the amount borrowed.

Thailand has long been plagued by unfavorable income distribution. It appears that the future, with the financially distressed and the provincial communities having to borrow at 40-80 times the official rate, will see the income distribution worsen.

The AERA Program has contacted three government banks, namely, the Government Savings Bank, the Bank for Agriculture and Cooperatives and the Government Housing Bank, and is working with them to strengthen their community lending and micro-credit programs. These programs if properly run and controlled, will be self sustaining and will not have to be subsidized by the government. The program will also allow the financially distressed to borrow money for their homes, farms, orchards and small businesses.

The three banks will receive training for their community lending and micro credits programs.

In order to give substantial support to the community lending and micro credits, to ensure that the three government banks can carry out their mission effectively, all the assistance will be given to these three government banks. The commercial banks will not be assisted in the second year.

Decision by the Steering Committee

1. Does the Steering Committee approve the direction that the Bank Training Program recommends for the second year?
2. The cost of engaging the SEGIR companies to conduct the training is very high as compared to using local qualified resources. Furthermore, the specialist in community programs areas are in the developing countries.
Will the Steering Committee approve the plan to select consultants and training specialists through an open bid system without having to go through the SEGIR process?

AERA Year 2

Business Support Organizations Partnership Program

BSOP plans to continue in the same general manner as in Year 1. The project focus will continue to be on financial governance, corporate governance and international competitiveness. Whenever possible, long-term sustainable partnerships will be established. However, in some cases, the provision of pure technical assistance from both US and Thai sources may be more practical. In Year 2, BSOP plans to provide continued support to seven of the same organizations from Year 1. In addition, another seven new projects are expected to be initiated.

AERA Year 2
Proposed Indicative Budget Breakdown

Programs	Fiscal Year 1999-2000		Fiscal Year 2000-2001	
	KIAsia	Other	KIAsia	Other
KIAsia Management	\$374,000		\$350,000	
KIPE Management	\$246,000		\$200,000	
AERA Start-up and operating	\$320,000		\$190,000	
Bank Training	\$727,000	\$2,000,000	\$952,000	
Business Support Organization	\$820,000		\$765,000	
Business Advisory Center	\$2,206,000		\$2,000,000	
Thai Volunteer Consulting Service	\$294,000		\$340,000	
Environmental Support	\$123,000		\$130,000	
Public Health	\$500,000	\$300,000	year 1	year 1
Constitutional Education for Citizens		\$500,000		year 1
Good Governance Support		\$500,000		year 1
Bank of Thailand Advisory		\$600,000	\$0	\$0
AID Management		\$300,000		\$150,000
Education & Competitiveness	\$250,000	\$150,000	\$230,000	
Total:	\$5,860,000	\$4,350,000	\$5,157,000	\$150,000
Overall Total:		\$10,210,000		\$5,307,000